

**REPORT ON EXAMINATION  
OF  
INDEPENDENCE INSURANCE INC.  
AS OF  
DECEMBER 31, 2021**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
INDEPENDENCE INSURANCE, INC.  
AS OF  
DECEMBER 31, 2021

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 2nd day of June, 2023

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May 17, 2023

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.015, dated January 12, 2022, an examination has been made of the affairs, financial condition and management of

**Independence Insurance Inc.**

hereinafter referred to as the Company or III. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware. The administrative office of the Company is located at 1901 Market Street, Philadelphia, Pennsylvania.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The last examination of the Company was conducted as of December 31, 2016. This examination will cover the period from January 1, 2017 through December 31, 2021. Our examination of the Company was performed as part of the multi-state coordinated examination of the Independence Health Group, Inc. (IHG) insurance group of companies as of December 31, 2021. The Pennsylvania Insurance Department was

the lead state. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

## **COMPANY HISTORY**

The Company was organized and incorporated as a stock insurance company under the laws of Delaware on October 8, 1996. Since its organization, the Company's parent has been AmeriHealth Inc. Effective July 1, 2014, the Company became a wholly owned subsidiary of Independence Blue Cross, LLC (IBC LLC). IBC LLC is a subsidiary of AmeriHealth Inc, which is a subsidiary of the ultimate parent IHG.

### **Capitalization**

The Company's Certificate of Incorporation authorizes the issuance of 10,000 shares of common stock with a \$100 par value. As of December 31, 2021, the Company had 3,500 shares of common stock issued and outstanding totaling \$350,000. As of December 31, 2021, the Company reported gross paid-in and contributed surplus of \$1,850,000 that has remained unchanged during the examination period.

### **Dividends**

The Company did not authorize, declare or pay dividends during the examination period.

## **MANAGEMENT AND CONTROL**

### **Directors**

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board of Directors (Board). In accordance with the Company's bylaws, the number of Directors shall consist

Independence Insurance Inc.

of one (1) or more members. Directors shall be elected annually by the sole stockholder and shall hold office for one year until successors are elected and qualified. The members of the Board, serving as of December 31, 2021, each elected or appointed in accordance with the Company bylaws were as follows:

<u>Name</u>	<u>Affiliation</u>
Michael Walsh Sullivan	Chief Sales Officer & President Commercial Markets, IHG
Brian Lobley	Executive Vice President and Chief Operating Officer, IHG

#### Committees of the Board

There are no standing committees of the Board.

#### Officers

In accordance with its bylaws, officers serving the Company shall be a President, one or more Vice Presidents, a Secretary and a Treasurer. All of whom were elected at the annual meeting of Directors and shall hold office for one year or until their successors are elected and qualified. The officers duly appointed in accordance with the bylaws and serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Michael Walsh Sullivan	President and Chief Executive Officer
Juan Alfonso Lopez, Jr.	Executive Vice President, Chief Financial Officer and Treasurer
Lilton Roosevelt Taliaferro, Jr.	Secretary

#### Corporate Records

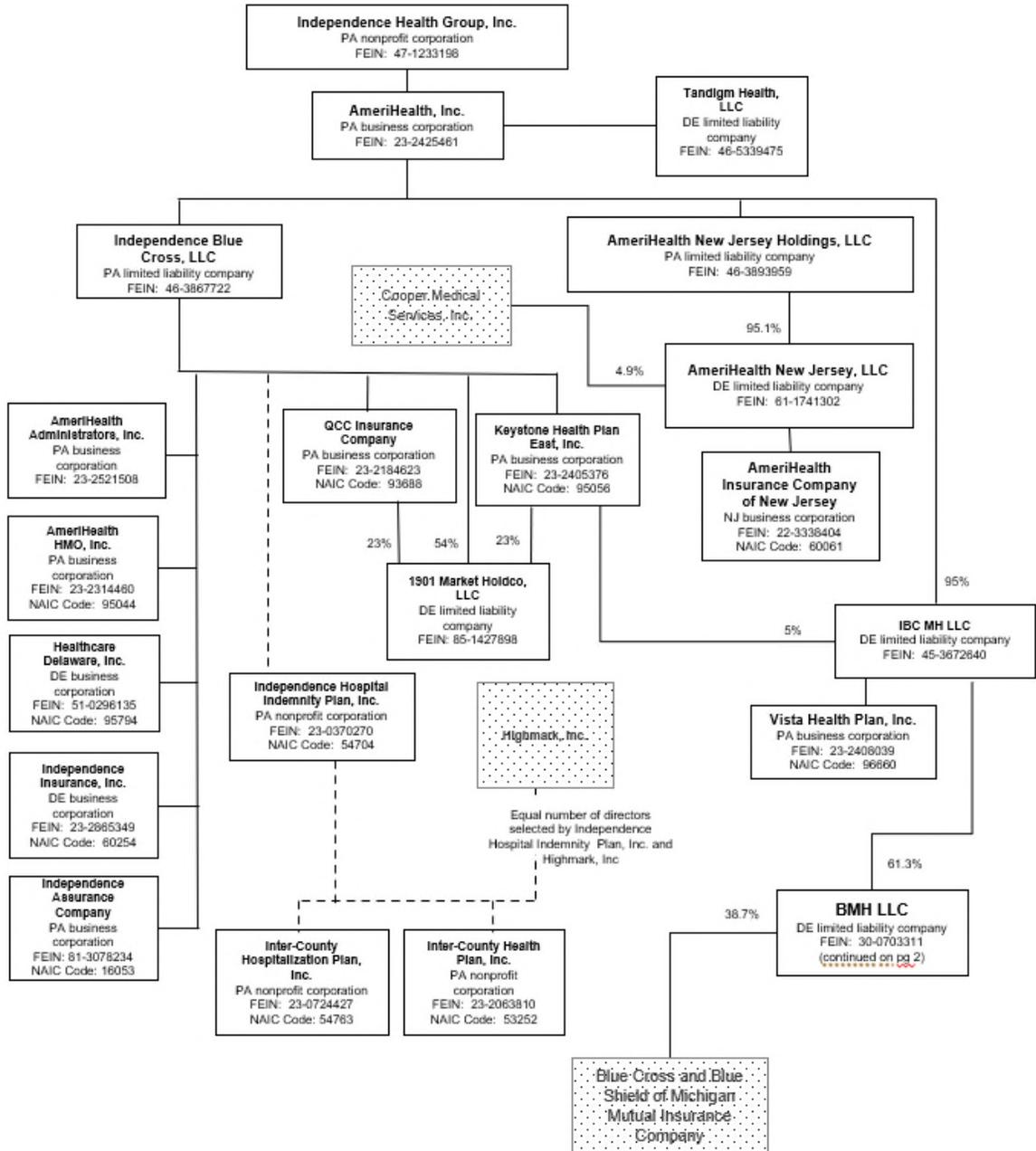
The recorded minutes of the Shareholder and Board were reviewed for the period under examination. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Independence Insurance Inc.

Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001 (7) of the Delaware Insurance Code. The Company maintains that as of December 31, 2021, IHG is the ultimate controlling entity of the Company.

The organizational chart below depicts the direct and indirect ownership of companies within IHG's holding company system as of December 31, 2021. The organizational chart does not depict all entities contained within the holding company system due to the size and complexity of the business operations within the holding company system. The holding company system consists of various insurance and non-insurance entities.



Agreements with Affiliates

*Consolidated Income Tax Allocation Agreements*

Effective February 1, 2001, and most recently amended July 1, 2014, the Company entered into a consolidated tax sharing agreement between and among IHG and its qualifying subsidiaries. This agreement, approved by the Company’s Board, states that the total

Independence Insurance Inc.

consolidated federal income tax for all entities is allocated to each entity based upon separate return calculations with current credit for losses. Intercompany tax balances are settled monthly.

*Master Services Agreement*

Effective January 1, 1999, and most recently amended July 1, 2014, IHG provides executive administration, legal, data processing services and treasury, including cash management and investment portfolio management services. Fees for these services are allocated on a cost basis, overhead and administration costs for which direct cost allocation is impractical shall be allocated consistent with Statutory Accounting Principles. All balances are settled monthly between the parties. No fees were paid under this agreement in 2021.

*Treasury Services agreement*

Effective January 1, 1999, and most recently amended July 1, 2014, IHG provides daily cash management and investment of cash flows for the Company. Costs for this agreement is pro-rated with respect to the program balances of all participants. During 2021, \$6,345 of fees were paid under this agreement.

**TERRITORY AND PLAN OF OPERATION**

Territory

As of December 31, 2021, the Company was licensed to transact business in Delaware. The Company is an authorized stock insurer to transact the business of life, including annuities, credit life, health and credit health as defined in 18 *Del. C.* § 902 “Life Insurance” and 18 *Del. C.* § 903 “Health insurance”.

Plan of Operation

The Company is inactive.

**REINSURANCE**

The Company is inactive and does not have reinsurance.

**FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2021
- Statement of Liabilities and Surplus as of December 31, 2021
- Summary of Operations for the year ended December 31, 2021
- Statement of Capital and Surplus Account for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period January 1, 2017 to December 31, 2021

**STATEMENT OF ASSETS**  
As of December 31, 2021

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets 2021</u>
Cash	\$ 1,573,672	\$ -	\$ 1,573,672
Cash equivalents	154,083	-	154,083
Subtotals, cash and invested assets	<u>\$ 1,727,755</u>	<u>\$ -</u>	<u>\$ 1,727,755</u>
Investment income due and accrued	1	-	1
Aggregate Write-ins - State and local taxes	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Assets	<u><u>\$ 1,732,756</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,732,756</u></u>

STATEMENT OF LIABILITIES AND SURPLUS  
As of December 31, 2021

Total liabilities	\$ <u>                    </u> -
Common capital stock	\$ 350,000
Gross paid in and contributed surplus	1,850,000
Unassigned funds (surplus)	<u>(467,244)</u>
Total capital & surplus	\$ <u>1,732,756</u>
Totals of liabilities & surplus	\$ <u><u>1,732,756</u></u>

SUMMARY OF OPERATIONS  
For the Year Ended December 31, 2021

Premiums and annuity considerations for life and accident and health contracts	\$ -
Net investment income	<u>556</u>
Totals	<u>\$ 556</u>
General insurance expenses and fraternal expenses	\$ 3,650
Insurance taxes, licenses and fees, excluding federal income taxes	<u>1,638</u>
Totals	<u>\$ 5,288</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members and before federal income taxes	<u>\$ (4,732)</u>
Federal and foreign income taxes incurred	<u>(994)</u>
Net income (loss)	<u>\$ (3,738)</u>

CAPITAL & SURPLUS ACCOUNT  
For the Year Ended December 31, 2021

Capital and Surplus, December 31, 2020:	\$ 1,736,494
Net income (loss)	<u>(3,738)</u>
Net change in capital and surplus for the year	(3,738)
Capital and Surplus, December 31, 2021:	<u><u>\$ 1,732,756</u></u>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
January 1, 2017 to December 31, 2021

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus		Total
1/1/2017	\$ 350,000	\$ 1,850,000	\$ (493,874)		\$ 1,706,126
12/31/2017	-	-	250	(1)	250
12/31/2018	-	-	(1,067)	(1)	(1,067)
12/31/2019	-	-	4,012	(1)	4,012
12/31/2020	-	-	27,173	(1)	27,173
12/31/2021	-	-	(3,738)	(1)	(3,738)
Total	<u>\$ 350,000</u>	<u>\$ 1,850,000</u>	<u>\$ (467,244)</u>		<u>\$ 1,732,756</u>

(1) Represents net income (loss)

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM  
THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

There were no comments on the financial statements.

**SUBSEQUENT EVENTS**

There were no subsequent events.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations.

Independence Insurance Inc.

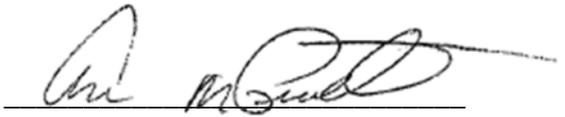
The assistance and cooperation of the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



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Anthony Cardone, CFE  
Examiner In-Charge  
State of Delaware

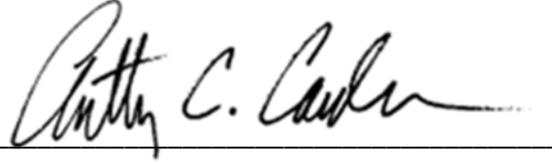


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Ann M. Pruett, CFE  
Supervising Examiner  
State of Delaware

Independence Insurance Inc.

I, Anthony Cardone, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 22.015.

A handwritten signature in black ink, reading "Anthony C. Cardone", written over a horizontal line.

Anthony Cardone, CFE